



EDUCATION AND LOCAL GOV'T  
September 15, 2011  
Rm 102, Capitol Bldg, Helena  
**EXHIBIT 12**

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF PERFORMANCE-BASED FUNDING FOR K-12 EDUCATION, THE DEVELOPMENT OF A PERFORMANCE-BASED FUNDING DESIGN, AND AN IMPLEMENTATION PLAN FOR CONSIDERATION BY THE 63RD LEGISLATURE.

WHEREAS, having shared policy goals and accountability measures for K-12 education requires working for greater efficiency with improved outcomes; and

WHEREAS, the shared policy goals agreement for K-12 education calls for lower dropout rates and increased graduation percentages, among other things; and

WHEREAS, the citizens of Montana expect schools to be funded adequately and students to be well educated; and

WHEREAS, Montana taxpayers deserve the best possible return on their investment in education; and

WHEREAS, states that use performance-based funding formulas have realized improvement in student achievement.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate the Education and Local Government Interim Committee to:

- (1) examine performance-based funding formulas for K-12 education used in other states;
- (2) avail itself of reports and other resources available through the National Conference of State Legislatures, the Council of State Governments, and other reliable sources of information and entities involved in performance-based funding for K-12 education;
- (3) consider the following elements as primary components of a performance-based funding formula for K-12 education in Montana:
  - (a) a retention component that would initially set aside a percentage of available funds to be distributed

to a district or school when the district or school attains well-defined performance thresholds;

(b) a bonus component that would identify a portion of available funds to be used to induce and reward a district or school to meet well-defined performance goals and objectives; and

(c) a reduction component that would effectively function as a funding penalty when a district or school fails to meet or falls below well-defined performance benchmarks;

(4) design a performance-based funding formula or structure for K-12 education for use in this state that recognizes and accommodates Montana's historical commitment to local control, highly qualified educators, high student achievement, and continual improvement in education outcomes; and

(5) develop for consideration by the 63rd Legislature a plan to implement the performance-based funding formula or structure for K-12 education.

BE IT FURTHER RESOLVED, that the committee report its findings, conclusions, and recommendations, including a performance-based funding design and implementation plan, to the Governor, the Superintendent of Public Instruction, and the 63rd Legislature.

BE IT FURTHER RESOLVED, that all aspects of the study be concluded prior to September 15, 2012.

- END -

I hereby certify that the within joint resolution,  
SJ 0028, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

SENATE JOINT RESOLUTION NO. 28

INTRODUCED BY B. LAKE, R. ARTHUN

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF PERFORMANCE-BASED FUNDING FOR K-12 EDUCATION, THE DEVELOPMENT OF A PERFORMANCE-BASED FUNDING DESIGN, AND AN IMPLEMENTATION PLAN FOR CONSIDERATION BY THE 63RD LEGISLATURE.



AN ACT GENERALLY REVISING K-12 EDUCATION LAWS; CREATING THE PATHWAY TO EXCELLENCE PROGRAM; AMENDING THE STRUCTURE OF ESTIMATING AND ALLOCATING OIL AND NATURAL GAS PRODUCTION TAXES FOR SCHOOLS; CHANGING THE MONTANA VIRTUAL ACADEMY TO THE MONTANA DIGITAL ACADEMY; LIMITING A SCHOOL DISTRICT'S FUND BALANCE REAPPROPRIATED TO A PERCENTAGE OF THE MAXIMUM GENERAL FUND BUDGET; ALLOWING A SCHOOL DISTRICT A ONE-TIME TRANSFER OF GENERAL FUND MONEY; PROVIDING AN INFLATIONARY INCREASE TO THE BASIC ENTITLEMENT AND TOTAL PER-ANB ENTITLEMENT; CREATING A STATE SCHOOL OIL AND NATURAL GAS IMPACT ACCOUNT; CREATING A COUNTY SCHOOL OIL AND NATURAL GAS IMPACT FUND; ALLOWING FOR MULTIDISTRICT AGREEMENTS; DEFINING "MULTIDISTRICT COOPERATIVE"; ALLOWING TRUSTEES TO DECIDE THE DISPOSITION OF INACTIVE TUITION FUNDS; EXEMPTING PARTICIPANTS IN A COOPERATIVE PURCHASING GROUP FROM CERTAIN COMPETITIVE BIDDING REQUIREMENTS; ALLOWING THE TRANSFER OF FUNDS RAISED BY A VOTED OR PERMISSIVE LEVY IF VOTERS APPROVE THE TRANSFER IN AN ELECTION; ALLOWING TRUSTEES TO IMPOSE AN OVER-BASE LEVY IN SUPPORT OF A DISTRICT'S GENERAL FUND BUDGET IN AN AMOUNT NOT TO EXCEED REVENUE AMOUNTS PREVIOUSLY AUTHORIZED BY THE VOTERS IN THE PREVIOUS 5 YEARS; ELIMINATING THE PERCENTAGE OF GROWTH FOR SCHOOL DISTRICT BLOCK GRANTS; REVISING THE USE OF THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT; PROVIDING RULEMAKING AUTHORITY; REMOVING THE REQUIREMENT THAT TRUSTEES SUBMIT TO ELECTORS THE PROPOSITION OF TRANSFERRING BUS DEPRECIATION RESERVE FUNDS TO ANOTHER FUND; REQUIRING A SCHOOL DISTRICT TO REPORT BUDGET AMENDMENTS TO THE LEGISLATURE AND THE BOARD OF PUBLIC EDUCATION; LIMITING A SCHOOL DISTRICT'S ENDING FUND BALANCE TO A SPECIFIC PERCENTAGE; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-36-332, 20-3-363, 20-7-102, 20-7-1201, 20-9-104, 20-9-161, 20-9-201, 20-9-204, 20-9-208, 20-9-306, 20-9-308, 20-9-353, 20-9-507, 20-9-516, 20-9-630, AND 20-10-147, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-36-332, MCA, is amended to read:

**"15-36-332. Distribution of taxes to taxing units -- appropriation.** (1) (a) ~~By Subject to [section 8],~~ by the dates referred to in subsection (6) of this section, the department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.

(b) By the dates referred to in subsection (6), the department shall distribute the amount deposited in the oil and gas natural resource distribution account under 15-36-331(2)(b) as provided in subsection (8) of this section.

(2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide elementary and high school retirement funds, countywide transportation funds, and eligible school districts according to the following schedule:

	Elementary Retirement	High School Retirement	Countywide Transportation	School Districts
Big Horn	14.81%	10.36%	2.99%	26.99%
Blaine	5.86%	2.31%	2.71%	24.73%
Carbon	3.6%	6.62%	1.31%	49.18%
Chouteau	8.1%	4.32%	3.11%	23.79%
Custer	6.9%	3.4%	1.19%	31.25%
Daniels	0	7.77%	3.92%	48.48%
Dawson	5.53%	2.5%	1.11%	35.6%
Fallon	0	7.63%	1.24%	42.58%
Fergus	7.88%	4.84%	2.08%	53.25%
Garfield	4.04%	3.13%	5.29%	26.19%
Glacier	11.2%	4.87%	3.01%	46.11%
Golden Valley	0	11.52%	2.77%	54.65%
Hill	6.7%	4.07%	1.59%	49.87%
Liberty	4.9%	4.56%	1.15%	35.22%
McCone	4.18%	3.19%	2.58%	43.21%

Musselshell	5.98%	4.07%	3.53%	32.17%
Petroleum	0	11.92%	4.59%	55.48%
Phillips	0.43%	6.6%	1.08%	41.29%
Pondera	6.96%	5.06%	1.94%	45.17%
Powder River	3.96%	2.97%	4.57%	22.25%
Prairie	0	8.88%	1.63%	36.9%
Richland	4.1%	3.92%	2.26%	43.77%
Roosevelt	9.93%	7.37%	2.74%	40.94%
Rosebud	3.87%	2.24%	1.05%	72.97%
Sheridan	0	3.39%	2.22%	47.63%
Stillwater	6.87%	4.86%	1.63%	41.16%
Sweet Grass	6.12%	6.5%	2.4%	37.22%
Teton	6.88%	8.19%	3.8%	29.43%
Toole	2.78%	4.78%	1.3%	43.56%
Valley	2.26%	12.61%	4.63%	41.11%
Wibaux	0	4.1%	0.77%	31.46%
Yellowstone	7.98%	4.56%	1.07%	52.77%
All other counties	3.81%	7.84%	1.81%	41.04%

(b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community college district in Custer County.

(ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community college district in Dawson County.

(3) The remaining oil and natural gas production taxes for each county must be used for the exclusive use and benefit of the county, including districts within the county established by the county.

(4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d) and subject to the provisions of [section 8].

(b) The amount distributed to each K-12 district within the county is equal to oil and natural gas production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil

and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable to total oil and natural gas production in the county and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).

(c) For the amount to be distributed to each elementary school district and to each high school district under subsection (4)(d), the department shall first determine the amount of oil and natural gas production taxes in the high school district that is attributable to oil and natural gas production in each elementary school district that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).

(d) (i) The amount distributed to each elementary school district that is located in whole or in part within the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary school district and the total mills of the high school district.

(ii) The amount distributed to the high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

(5) ~~(a)~~ Oil and natural gas production taxes calculated for each school district under subsections (4)(b) through (4)(d) must be distributed to each school district in the relative proportion of the mill levy for each fund as provided in [section 8].

~~(b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school district.~~

(6) ~~The~~ Subject to [section 8], the department shall remit the amounts to be distributed in this section to the county treasurer by the following dates:

(a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending March 31 of the current year.

(b) On or before November 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

(c) On or before February 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.



(d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending December 31 of the previous year.

(7) The department shall provide to each county by May 31 of each year the amount of gross taxable value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by 60%. The resulting value must be treated as taxable value for county classification purposes under 7-1-2111.

(8) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on county oil and gas production. Of the distribution to a county, one-third must be distributed to the county government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more than one incorporated city or town within the county, the city and town allocation must be distributed to the cities and towns based on their relative populations.

(9) The distributions to taxing units and to counties and incorporated cities and towns under this section are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund."

**Section 2.** Section 20-3-363, MCA, is amended to read:

**"20-3-363. Interdistrict Multidistrict agreements -- fund transfers.** (1) The boards of trustees of any two or more school districts ~~that have unified pursuant to 20-6-312, any two school districts that have created a joint board of trustees pursuant to 20-3-361, or a high school district and any elementary school district associated with that high school district~~ may enter into ~~an interdistrict~~ a multidistrict agreement to create a multidistrict cooperative to perform any services, activities, and undertakings of the participating districts and to provide for the joint funding and operation and maintenance of both all participating districts upon the terms and conditions as may be mutually agreed to by the districts subject to the conditions of this section. An agreement must be approved by the ~~board~~ boards of trustees of ~~both~~ all participating districts by ~~February 1~~ April 1 of the ~~current fiscal~~ year in which the agreement is executed and by April 1 in any subsequent year to which the agreement applies.

(2) All expenditures in support of the ~~interdistrict~~ multidistrict agreement may be made from the interlocal cooperative fund as specified in 20-9-703 and 20-9-704. Each participating district of the multidistrict cooperative may transfer funds into the interlocal cooperative fund from the general fund or any other budgeted fund of the district. Transfers to the interlocal cooperative fund from each participating school district district's general fund are limited to an amount not to exceed the direct state aid in support of the respective school district's general